

**FIRST AMENDMENT TO  
ILLINOIS POWER COMPANY INCENTIVE SAVINGS PLAN  
FOR EMPLOYEES COVERED UNDER A  
COLLECTIVE BARGAINING AGREEMENT**

**WHEREAS**, Dynegy Inc. (the "Company") and other Employers have heretofore adopted the Illinois Power Company Incentive Savings Plan for Employees Covered Under a Collective Bargaining Agreement (the "Plan") for the benefit of their eligible employees; and

**WHEREAS**, the Company amended and restated the Plan on behalf of itself and the other Employers, effective as of January 1, 2002; and

**WHEREAS**, the Company desires to further amend the Plan on behalf of itself and the other Employers,

**NOW, THEREFORE**, the Plan shall be amended as follows, effective for payroll periods ending on or after October 1, 2003:

1. Sections 3.3 and 3.4 of the Plan shall be deleted and the following shall be substituted therefore:

**"3.3      Employer Matching Contributions.**

(a) For each payroll period, the Employer shall contribute to the Trust, as Employer Matching Contributions, an amount that equals 50% of the Before-Tax Contributions that were made pursuant to Section 3.1 on behalf of each of the Participants during such payroll period and that were not in excess of 6% of each such Participant's Compensation for such payroll period.

(b) In addition to the Employer Matching Contributions made pursuant to Paragraph (a) above, for each Plan Year the Employer shall contribute to the Trust, as Employer Matching Contributions, an amount equal to the difference, if any, between (1) 50% of the Before-Tax Contributions that were made pursuant to Section 3.1 on behalf of each of the Eligible Participants during such Plan Year and that were not in excess of 6% of each such Eligible Participant's Compensation for such Plan Year and (2) the Employer Matching Contributions made pursuant to Paragraph (a) above for each such Eligible Participant for such Plan Year. For purposes of this Paragraph, the term "Eligible Participant" shall mean each Participant who was an Eligible Employee on the last day of the applicable Plan Year.

(c) Employer Matching Contributions pursuant to Paragraph (a) above shall be contributed to the Trust at the same time the related Before-Tax Contributions are contributed to the Trust, and Employer Matching Contributions pursuant to Paragraph (b) above shall be contributed to the Trust at the time determined by the Committee. At the sole discretion of the Directors or the Compensation Committee of the Company's Board of Directors, Employer Matching Contributions on behalf of Participants shall be made in cash, in whole shares of Company Stock, or in any combination of cash and whole shares of Company Stock.

(d) Notwithstanding any foregoing provision of this Section to the contrary, if at

any time an Exempt Loan is outstanding, then, to the extent permissible, Employer Matching Contributions shall be contributed to the ESOP in accordance with Section 6.6 and subsequently allocated pursuant to Section 4.1(c).

**3.4 Employer Discretionary Contributions.**

(a) For each Plan Year, the Employer may contribute to the Trust, as an Employer Discretionary Contribution, an additional amount as determined in its discretion.

(b) If it has been so determined that an Employer Discretionary Contribution shall be made for any Plan Year, then such contribution shall be made in cash, in whole shares of Company Stock, or in any combination of cash and whole shares of Company Stock (as determined in the sole discretion of the Directors or the Compensation Committee of the Company's Board of Directors).

(c) Notwithstanding any foregoing provision of this Section to the contrary, if at any time an Exempt Loan is outstanding, then, to the extent permissible, Employer Discretionary Contributions shall be contributed to the ESOP in accordance with Section 6.6 and subsequently allocated pursuant to Section 4.1(d)."

2. As amended hereby, the Plan is specifically ratified and reaffirmed.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed this 17<sup>th</sup> day of October, 2003.

**DYNEGY INC.**

By: /s/ Teresa L. Naylor  
Name: Teresa L. Naylor  
Title: \_\_\_\_\_

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EX-10.12 4 exh10-12.htm EXHIBIT 10.12

Exhibit 10.12

**SEVERANCE AGREEMENT AND RELEASE**

This Severance Agreement and Release ("Release") is entered into by and between Dynegy Inc., an Illinois corporation, and Illinois Power Co., an Illinois corporation (collectively referred to herein as the "Company"), and Larry F. Altenbaumer ("Employee").

**WHEREAS**, the Company and Employee have mutually agreed to terminate the employment relationship between the Company and Employee, effective March 31, 2004 (the "Termination Date"). After March 15, 2004, however, Employee will not be expected to appear for work or perform other duties as an employee of the Company;

**WHEREAS**, Employee and the Company are parties to an Employment Agreement effective December 20, 1999, as amended (the "Agreement"); and

**WHEREAS**, the Company and Employee wish to set forth their rights and obligations relating to the termination of the Agreement and the termination of the employment relationship between the Company and Employee consistent with the Dynegy Inc. Executive Severance Pay Plan, as amended.

**NOW, THEREFORE**, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Employee agree as follows:

1. **Continuation of the Agreement.** Employee's Agreement will expire, by its terms, on February 2, 2004. Upon execution of this Release, the Company and Employee agree that the Agreement, and all of its terms and conditions, including, but not limited to the covenants set forth in Section 4 of the Agreement, but excluding Section 5 of the Agreement, shall be null and void.

2. **Payments.** In consideration of Employee's execution of this Release and in complete and final satisfaction of all amounts due Employee, the Company shall pay Employee, seven days after the execution of this Release or on or before March 31, 2004, whichever occurs last, as follows (hereinafter sometimes collectively referred to as the "Severance Amount"):

a. \$350,000.00, representing 12 months of pay at Employee's base salary, less all applicable withholdings, including, but not limited to, FICA, Medicare, federal, state and local taxes;

b. \$57,885.00, representing Employee's accrued Vacation/Personal Paid Time ("PPT"), less all Employee-elected and applicable contributions and withholdings, including, but not limited to, Employee contributions to Employee's account in the Illinois Power Incentive Savings Plan for Salaried Employees (which contributions, the Company shall match pursuant to the Plan), FICA, Medicare, federal, state and local taxes; and

c. \$175,000.00, representing what Employee would receive in STI payments for 2003, less all applicable withholdings, including, but not limited to, FICA, Medicare, federal, state and local taxes.

3. **Medical, Dental and Vision Benefits Coverage.** In the event Employee does not establish eligibility for and receive active retirement medical and health benefits, then the Company will provide continued medical, dental and vision benefits coverage for up to 12 months under the Dynegy or Illinois Power group medical/dental/vision plans for

Employee and his eligible dependents in the plans in which Employee was participating immediately prior to the termination of Employee's employment. This continued benefits coverage is dependent upon Employee continuing to pay the premiums for such coverage based on the premiums paid by active employees of the Company for similar coverage and the availability and terms of such coverage. Employee will receive an election application for this coverage from the Company's COBRA administrative services provider. Employee's continued coverage is predicated on the completion of this application and the payment of the premiums pursuant to the process provided by the Company's COBRA administrative services provider. Such coverage will immediately end upon Employee obtaining new employment and similar coverage (and Employee is obligated to promptly report such eligibility to the Company). Unless Employee is covered by another group medical plan at the expiration of this 12-month continuation period, Employee may be able to continue, completely at his own expense, Dynegy or Illinois Power group medical/dental/vision coverage under COBRA. COBRA provides for a maximum coverage period of eighteen (18) months. Continued coverage under COBRA is not conditioned upon execution of this Release; however, such continuation runs concurrent with the Company's provision of continued medical, dental and vision benefits coverage for the 12 months immediately following the execution of this Release.

4. **Stock Options.** Effective upon the execution of this Release, the 90,000 shares of stock options granted to Employee on February 4, 2003, at a grant price of \$1.77 per share (the "2003 Stock Option Grant") shall fully vest and become immediately exercisable. Employee shall have until March 31, 2005, to exercise the 2003 Stock Option Grant, after which time, it shall automatically become null and void to the extent not exercised. Employee hereby waives any and all rights he may have to all other unvested stock options for which he may be eligible, and, by execution of this Release, any such options are null and void. All other vested options as of the Termination Date shall be exercisable pursuant to the specific terms of each applicable option agreement.

5. **Dynegy Inc. Retirement Plan and Illinois Power Incentive Savings Plan For Salaried Employees.** Both Employee and Company matching contributions to the Illinois Power Incentive Savings Plan for Salaried Employees cease on the Employee's termination date. Accruals and service credit under the Dynegy Inc. Retirement Plan cease on the Employee's termination date. A letter will be mailed to Employee's home address of record with Employee's Illinois Power Incentive Savings Plan for Salaried Employees account balance and applicable benefit under the Dynegy Inc. Retirement Plan, as well as contact information for questions. Benefits will be payable in accordance with the terms of the applicable plan document.

6. **Cooperation with Litigation.** Employee agrees to cooperate with and assist the Company with its defense or pursuit of any current or future litigation, investigation, audit or inquiry, including, but not limited to Trans-Elect, Inc. et al. v. Illinois Power Co., No. 03C-7475 (N.D. Ill.), and Matter of Arbitration Between Kathy Patton and Dynegy Inc., AAA Case No. 70 116 00740 03, to the extent Employee has relevant knowledge and/or information, regardless of the types of claims or causes of action which form the basis of any such controversy. It is within

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the Company's reasonable discretion to determine whether it believes Employee has relevant knowledge and/or information. Employee will provide such cooperation and assistance voluntarily and will have no claim for remuneration from the Company for such cooperation or assistance. Employee agrees that the consideration being provided to him by the Company pursuant to the terms of this Release is sufficient remuneration for any assistance provided. Dynegy agrees to reimburse Employee for any out-of-pocket expenses associated with providing this assistance.

7. **Confidentiality and No Disparaging Comments.** Neither Employee nor the Company will make or authorize any public statement to be made to any third party disparaging the other in its or his business interests, conduct and/or affairs. Employee and the Company shall maintain the confidentiality of this Release and its terms, except that Employee may disclose the terms of this Release to Employee's financial and legal advisors, including each of their respective agents, representatives, employees and attorneys, and to his immediate family members. Except as otherwise provided below, Employee and the Company shall not disclose any aspect of the terms of the Release to, directly or indirectly, any person or entity or mechanism, including but not limited to, the media in any form it may take (such as,

without limitation, radio, television, newspapers, magazines, periodicals, internet sites, reporters, writers, publishers, and anyone working for or having any relationship to the media), or any current or former employees of the Company or any of its subsidiary entities; provided, however, Employee and the Company may say that Employee and the Company reached a "mutually satisfactory termination of their relationship that included severance consistent with Dynegy's existing severance plan and a one-year consulting arrangement". The Company may disclose the terms of this Release to such employees of the Company as are necessary to effectuate the Company's obligations under this Release. In addition, any disclosure of matters contained in this Release may be made to the extent required by a final and binding court order or other compulsory process or federal or state financial, accounting or other disclosure requirements demanding production or disclosure of the terms of this Release. Employee and the Company are not prohibited from disclosing the fact of Employee's departure from the Company. Any press release or other third-party written communication regarding Employee's termination will be subject to Employee's approval.

8. **Resignation as Officer or Director.** Employee agrees that, in conjunction with the execution of this Release, he will tender his resignation from any position he may hold as an officer or director of the Company or any of its affiliates or subsidiaries, and/or provide the Company with any documentation it deems necessary to effectuate such resignation(s) in the form attached as Exhibit 1.

9. **Mutual Release.** In consideration of the mutual promises and covenants of the Company and Employee hereunder, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Employee hereby releases, discharges in full and agrees to waive and forego any right he or she may have to commence a lawsuit against the Company, its predecessors, successors, subsidiaries, operating units, affiliates, divisions and the agents, representatives, officers, directors, shareholders, employees and attorneys of each of the foregoing (individually and collectively called the "Company" for purposes of this Section 9), from and for all rights, claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions and causes of action, whether in law or in equity, whether known or unknown, suspected or unsuspected, arising from or in any way relating to

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Employee's employment with, and termination of employment and the Agreement with the Company, including but not limited to, any and all claims pursuant to Title VII of the Civil Rights Act of 1964, 42 U.S.C. Sec.2000e, *et seq.*, as amended by the Civil Rights Act of 1991; the Civil Rights Act of 1966, 42 U.S.C. Sec.1981, 1983 and 1985; the Employee Retirement Income Security Act of 1974, as amended, 29 U.S.C. Sec.621, *et seq.*; the Americans with Disabilities Act of 1990, as amended, 42 U.S.C. Sec.12101, *et seq.*; the Age Discrimination in Employment Act of 1967, 29 U.S.C. Sec.621, *et seq.*, as amended by the Older Workers Benefit Protection Act of 1990 (ADEA); the Family and Medical Leave Act of 1993, 29 U.S.C. Sec.2601, *et seq.*; the Fair Labor Standards Act, 42 U.S.C. Sec.201, *et seq.*, including the Wage and Hour Law relating to payment of wages; the Worker Adjustment and Retraining Notification Act; and all other federal, state or local laws or regulations. This Release also includes, but is not limited to, a release of any claims for breach of contract, mental pain and anguish, impairment of economic opportunities, unlawful interference with employment rights, defamation, intentional or negligent infliction of emotional distress, fraud, violations of state or federal securities laws, wrongful termination, wrongful discharge in violation of public policy, breach of any express or implied covenant of good faith and fair dealing, bad faith, overtime pay, vacation pay, punitive damages, back pay, reinstatement, front pay, liquidated damages, injunctive relief, costs or attorneys' fees, based on or arising from or in any way relating to Employee's employment by the Company and/or termination of employment. Employee is not waiving (i) any rights or claims that may arise under the ADEA after this Release is signed, (ii) rights under the separate Contract for Services that Employee will enter into with the Company contemporaneous with this Release, (iii) rights or claims arising under this Release or (iv) rights to indemnification under Section 5 of the Agreement.

**THE PRECEDING PARAGRAPH MEANS THAT UPON RECEIPT OF THE PAYMENT DESCRIBED IN SECTION 2 OF THIS RELEASE, EMPLOYEE WILL HAVE WAIVED ANY RIGHT EMPLOYEE MAY HAVE TO BRING A LAWSUIT OR MAKE ANY LEGAL CLAIM AGAINST THE COMPANY BASED ON ANY ACTIONS TAKEN BY THE COMPANY RELATED TO THE SUBJECT MATTER UP TO THE DATE OF SUCH**

**RECEIPT OF PAYMENTS.**

The Company releases and discharges Employee from any and all claims, demands, causes of action and theories of recovery of whatever nature, whether known or unknown, and whether recognized by the law or equity of any jurisdiction, in contract, in tort, pursuant to statute or otherwise arising out of or related to Employee's employment with, and termination of employment and the Agreement with the Company. Except to the extent prohibited by law, the Company agrees not to bring and warrants that it has not brought any claim against Employee in any court or before any governmental agency related to Employee's employment with and termination of employment and the Agreement with the Company. The Company is not waiving any rights or claims that may arise under this Release or pursuant to the separate Contract for Services that Employee will enter into with the Company contemporaneous with this Release.

**10. Restrictive Covenants.**

Employee recognizes and acknowledges that:

(a) During his employment, Employee had access to certain information concerning the Company that is confidential and proprietary and constitutes valuable and unique property of the Company. Employee agrees that he will not at any time after the

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execution of this Release, disclose to others, use, copy or permit to be copied any secret or confidential information of the Company (whether or not developed by Employee) without the prior written consent of R. Blake Young, Executive Vice President, Administration and Technology, for the Company, unless such conduct is in furtherance of the Employee's consulting obligations as set forth in the separate Contract for Services the Employee will enter into with the Company contemporaneous with this Release. The term "secret or confidential information of the Company" (sometimes referred to herein as "Confidential Information") shall include, without limitation, the Company's plans; strategies; potential acquisitions; costs; prices; systems for buying, selling, and/or trading natural gas, natural gas liquids, crude oil, coal, electricity, bandwidth and communications services; client lists; pricing policies; financial information; the names of and pertinent information regarding suppliers; computer programs; policy or procedure manuals; training and recruiting procedures; accounting procedures; the status and content of the Company's contracts with its suppliers or clients; or servicing methods and techniques at any time used, developed, or investigated by the Company; before or during Employee's tenure of employment, to the extent any of the foregoing are (i) not generally available to the public and (ii) maintained as confidential by the Company. Employee further agrees to continue to maintain in confidence any confidential information of third parties received as a result of Employee's employment and duties with the Company.

(b) Upon the Termination Date, Employee will deliver to the Company, as reasonably determined appropriate by the Company, all correspondence, memoranda, notes, records, client lists, computer systems, programs, or other documents and all copies thereof made, composed or received by Employee, solely or jointly with others, and which are in Employee's possession, custody, or control at such date and which are related in any manner to the past, present, or anticipated business of the Company.

**11. Acknowledgements.**

(a) Employee has been advised in writing by the Company to consult with an attorney before executing this Release.

(b) Employee has carefully read the contents of this Release and understands its contents. Employee is executing this Release voluntarily, knowingly, and without any duress or coercion.

(c) Employee has been extended a period of twenty-one (21) days within which to consider this

Release and this has afforded Employee ample opportunity to consult with personal, financial, and legal advisors prior to executing this Release. By executing this Release prior to the expiration of the twenty-one (21) day period after presentment of this Release to Employee, Employee hereby certifies and represents that Employee's decision to accept such shortening of time is knowing and voluntary and is not induced by the Company through fraud, misrepresentation, or a threat to withdraw or alter the offer prior to the expiration of the twenty-one (21) day period.

(d) Employee understands that for a period of seven (7) days following Employee's execution of this Release, Employee may revoke the Release by notifying R. Blake Young, Executive Vice President, Administration and Technology, Dynegy Inc., 1000 Louisiana, Suite 5800, Houston, Texas 77002, in writing, of Employee's desire to do so. Employee understands that after the seven (7) day revocation period has elapsed,

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this Release shall become effective and binding. Notwithstanding the foregoing, Employee agrees that the resignation(s) set forth in Section 8 shall be effective even if Employee revokes the Release.

(e) Any payments received pursuant hereto are subject to applicable employment and income taxes. Employee acknowledges and agrees that the Company has made no representations regarding the tax consequences of any amounts received by Employee, and Employee further acknowledges and agrees that Employee is solely liable and responsible, and will indemnify the Company and hold it harmless, for any amounts that may be deemed subject to withholding tax which were not withheld from these amounts.

## **12. General Provisions.**

(a) This Release sets forth the entire agreement between the parties hereto and supersedes any and all prior agreements or understandings, written or oral, between the parties pertaining to the subject matter of this Release. This Release expresses the full terms upon which the Company and Employee conclude the employment relationship. All obligations or responsibilities of either party under the Agreement not referenced herein are superceded by this Release. There are no other representations or terms relating to the employment relationship or the conclusion of that relationship other than those set forth in writing in this Release. Employee hereby represents and acknowledges that in executing this Release, except as otherwise set forth herein, Employee does not rely and has not relied upon any representations or statements made by any of the parties, agents, attorneys, employees, or representatives with regard to the subject matter, basis or effect of this Release.

(b) In the event that any provision of this Release should be held to be void, voidable, or unenforceable, the remaining portions shall remain in full force and effect.

(c) This Release shall be construed and enforced according to the laws of the State of Texas. Employee and the Company each hereby submit to the personal jurisdiction of, and venue in, the federal and state courts in the City of Houston, State of Texas for any actions arising out of or relating to this Release and further agree that such courts shall have exclusive jurisdiction over these matters.

(d) Employee and the Company fully understand and agree to be bound by all of the provisions of this Release. The Company acknowledges and agrees that the Board of Directors of the Company has authorized and approved any terms and conditions for which such authorization and approval is required.

(e) Employee and the Company agree that Employee may keep the laptop or desktop computer (including printer and installed software), cellular telephone, and *Blackberry* communication device that the Company provided to him during his employment. All responsibility for continued maintenance, wireless service,

software licensing and updates, and internet access for these devices shall be borne by the Employee going forward from the Termination Date, or the renewal date of the next billing cycle for such service, whichever happens last. The Company will provide reasonable support for transfer of these services and obligations to Employee.

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(f) By executing this Release, Employee hereby waives his right to any funds or other amounts for which he might otherwise be eligible under the Mid Term Incentive Performance Award Program.

(g) The obligations of Dynegy, Inc. and Illinois Power Company under this Release are their joint and several obligations and shall survive the death of Employee, should such circumstances arise prior to the Effective Date.

**DYNEGY INC. & ILLINOIS POWER COMPANY**

By: /s/ Bruce A. Williamson

Bruce A. Williamson

President and

Chief Executive Officer

**EXECUTED** this 27<sup>th</sup> day of January, 2004.

/s/ Larry F. Altenbaumer

Larry F. Altenbaumer

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**Exhibit 1**

January 22, 2004

Board of Directors  
Dynegy Inc.  
1000 Louisiana, Suite 5800  
Houston, Texas 77002



Ladies and Gentlemen:

Effective as of March 31, 2004, I hereby resign from any and all positions as an officer or director of Dynegy Inc. and its subsidiaries and affiliates, including the position of President, Illinois Power Co. and Senior Vice President of Dynegy Inc., and from all committees to which I have been appointed or elected by reason of my employment with Dynegy Inc. and its subsidiaries and affiliates.

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Larry F. Altenbaumer

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Exhibit 10.13

### CONTRACT FOR SERVICES

This Contract for Services ("Contract") is made between Larry F. Altenbaumer ("Contractor") and Illinois Power Co., an Illinois Corporation (the "Company"), and is executed this 27<sup>th</sup> day of January, 2004. This Contract is effective April 1, 2004 (the "Effective Date").

1. **Term of Agreement.** The term of this Contract shall commence on the Effective Date and end on March 31, 2005 (the "Termination Date"). Either party may terminate this Contract prior to the Termination Date, subject to the conditions specified in Section 6 below.

2. **Duties of Contractor.** Contractor will provide consulting services to the Company on an as-needed basis to be determined by the Company. Contractor shall not have an office at the Company's corporate offices in Decatur, Illinois, but shall have access to a guest office when his presence at that location is necessary. Contractor will report directly to R. Blake Young ("Young"), Executive Vice President, Administration and Technology, of the Company's Parent, Dynegy Inc. ("Dynegy"), and will receive assignments from Young or any employee of the Company or Dynegy designated by Young. Contractor's primary focus will be to actively assist Dynegy, at Dynegy's direction and request, in any reasonable manner possible in meeting Dynegy's business objectives with respect to the disposition, retention, or restructuring of the Company, including, but not limited to, lobbying on behalf of the Company or Dynegy with entities responsible for making public policy and advocating Dynegy's business objectives in the community and in the political arena. Contractor shall observe and comply with all lawful and reasonable directions and instructions by and on the part of Dynegy's management, endeavor to promote the interests of Dynegy, and do nothing that may cause or be likely to cause any loss or damage to Dynegy in business, reputation or otherwise. When performing services under this Contract, Contractor shall abide by all provisions of Dynegy's Code of Business Conduct and Ethics (the "Code"), as may be amended from time to time, which is incorporated herein by reference and attached hereto as Exhibit A. Dynegy will provide Contractor with any new versions of the Code that may be adopted during the term of this Contract. Contractor's failure to achieve any specified result in the performance of services under this contract does not constitute a breach of this Agreement or release the Company from its obligation to make the payments required hereunder. In connection with the performance of services under this Contract, Contractor shall be indemnified on the terms provided in Section 5 of Contractor's employment agreement with Dynegy, Inc., effective December 20, 1999, which Section 5 is hereby incorporated by reference.

3. **Compensation.** The Company shall pay Contractor, on March 31, 2005, \$357,500.00, for services rendered under the Contract and to assist with outplacement after the Termination Date.

4. **Consulting Relationship and Taxation.** Contractor is an independent contractor and, as a result, the Company will not withhold any monies from Contractor's compensation for the purposes of any United States' or other country's federal or state taxing authority. Contractor is solely responsible for any tax liability in whatever country or nation arising from the compensation the Company pays Contractor under the terms of this Contract. Contractor agrees that, in the event it is determined by some taxing authority that the payments under this Contract are subject to any United States or foreign tax liability, he shall be fully responsible for said liability and hereby agrees to fully indemnify and hold the Company harmless for any amounts determined to be due and owing by Contractor, including any fines, interest or penalties.

5. **Expenses.** The Company agrees to reimburse Contractor for all reasonable and customary travel and other expenses related to the performance of his duties under the Contract.

6. **Termination of the Contract.** Between the Effective Date and the Termination Date, either the Company or Contractor may terminate this Contract with thirty (30) days written notice to the other party. If the Company terminates the Contract under this Section 6, Contractor will be entitled to a payment of all monies owed to Contractor as if the term of the Contract had been completed. Such compensation will be paid to Contractor in one lump sum on the date set forth in Section 3. If Contractor terminates the Contract under this Section 6, Contractor will not be entitled to any further compensation except that which was earned prior to the date of the written notice of termination. The amount earned will be calculated by taking the amount set forth in Section 3, dividing that amount by 52 weeks, and multiplying that amount by the number of weeks Contractor provided services under the Contract up to the date of written notice of termination. Such compensation will be paid to Contractor in one lump sum on the 15<sup>th</sup> day of the month following the expiration of the thirty (30) day notice period; provided, however, that Contractor may, by written notice to the Company, elect to defer payment of such compensation to March 31, 2005. In the event of Contractor's death or disability that precludes further performance under the Contract, this Contract shall be deemed to have been terminated by Contractor as of the date of death or disability and governed by the language of this Section 6.

7. **Contractor's Confidentiality Agreement.** Contractor acknowledges that the Company has established a valuable and extensive trade in the services it provides, which has been developed at considerable expense to the Company. Contractor agrees that, by virtue of this Contract, Contractor will have access to certain information and knowledge of the business and operations of the Company and Dynegy that are confidential and proprietary in nature.

Contractor agrees that he will not at any time during the term of the Contract, or thereafter, disclose to others, use, copy or permit to be copied any secret or confidential information of the Company (whether or not developed by Contractor) without the prior written consent of Young. The term "secret or confidential information of the Company" (sometimes referred to herein as "Confidential Information") shall include, without limitation, the Company's (and Dynegy's) plans; strategies; potential acquisitions; costs; prices; systems for buying, selling, and/or trading natural gas, natural gas liquids, crude

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oil, coal, electricity, bandwidth and communications services; client lists; pricing policies; financial information; the names of and pertinent information regarding suppliers; computer programs; policy or procedure manuals; training and recruiting procedures; accounting procedures; the status and content of the Company's contracts with its suppliers or clients; or servicing methods and techniques at any time used, developed, or investigated by the Company or Dynegy; before or during the term of the Contract, to the extent any of the foregoing are (i) not generally available to the public and (ii) maintained as confidential by the Company or Dynegy. Contractor further agrees to maintain in confidence any confidential information of third parties received as a result of this Contract.

Contractor further agrees that any materials and/or information developed by him for the Company's or Dynegy's use during the term of this Contract are the sole and exclusive property of the Company or Dynegy. Any materials or information that are the property of the Company or Dynegy shall be returned to the Company or Dynegy immediately upon termination of this Contract or upon oral or written request. Contractor further agrees that any use of said materials or information subsequent to termination of this Contract or a request of return shall constitute a violation of this Contract. Contractor agrees that, upon termination of this Contract, he shall promptly return any and all documents containing the above information, knowledge or data, or relating thereto, to the Company. Contractor acknowledges that the Confidential Information is created at substantial cost and expense to the Company and Dynegy and that unauthorized use or disclosure would cause irreparable injury to the Company and Dynegy.

8. **Agreement Not to Compete or Seek Conflicting Employment.** During the term of this Contract,

Contractor shall not provide his services, whether by employment or consulting arrangement, to any federal, state or local governmental entity, or any utility, natural gas provider, or electric generation company doing business in the State of Illinois, without the prior written permission of Young. Should Contractor fail to seek and obtain such permission prior to the commencement of such services, then, notwithstanding Section 6 of this Contract, this Contract shall be immediately terminated and all compensation set forth in Section 3 of this Contract shall be forfeited. Should such permission be granted, Contractor shall be deemed to have terminated the Contract pursuant to Section 6 of this Contract as of the date permission is granted, which date shall serve as the date of written notice of termination.

9. **Agreement Not to Solicit or Recruit Employees of the Company.** During the term of this Contract and for 12 months thereafter, Contractor agrees to refrain from soliciting, recruiting, encouraging, or initiating contact with any of the Company's employees in any way for the purpose of offering them employment, either as an employee or as a contractor or adviser, with Contractor, directly or indirectly, for himself or with or for others. During the term of this Contract and for 12 months thereafter, Contractor further agrees to refrain from authorizing, directing, or advising any third persons or entities to solicit, recruit, encourage, or initiate contact with any of the Company's employees in any way for the purpose of offering them employment, either as an employee or as a contractor or adviser, with Contractor, directly or indirectly, for himself or with or for others.

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10. **Cessation of Business.** Notwithstanding any provisions in this Contract to the contrary, in the event that the Company shall cease operating its business, then this Contract shall terminate as of the last day of the month in which the Company ceases operations, with the same force and effect as if such last day of the month originally was set as the Termination Date. A merger, acquisition, sale, or similar corporate restructuring under which the principal business of the Company is continued shall not be considered cessation of the business of the Company.

11. **Dispute Resolution.** Contractor hereby agrees that any dispute relating to this Contract or to the breach of this Contract arising between Contractor and the Company shall be first submitted to mediation before a mediator mutually selected and agreed upon by the parties. The mediation shall take place in Decatur, Illinois. Any settlement resolving such a dispute, at mediation or otherwise, shall be final and binding upon the parties. Should a dispute related to the Contract fail to resolve at mediation, the parties will submit the matter to arbitration in accordance with the arbitration rules of the American Arbitration Association. The arbitration proceeding, including the rendering of an award, shall take place in Decatur, Illinois. All fees and expenses associated with the arbitration shall be allocated by the arbitrator(s). The award of the arbitrator shall be final and binding upon the parties without appeal or review except as permitted by the Federal Arbitration Act.

12. **Waiver of Breach of Agreement.** If either party waives a breach of this Contract by the other party, that waiver will not operate or be construed as a waiver of any other or subsequent breaches.

13. **Waiver of Implied Warranties and Representations.** The terms, conditions, representations, warranties, covenants and provisions applicable to this Contract are set forth expressly and completely in this Contract. The parties hereby waive, disclaim and negate for all purposes (i) any other term, condition, representation, warranty, covenant and/or provision of any kind hereunder, whether implied, statutory, or other; and (ii) any right of *quantum meruit* in connection with any work or service provided hereunder or contemplated hereby.

14. **Notice.** Any notice given by the Company to Contractor under this Contract shall be sufficient if in writing and either (1) hand delivered to Contractor, or (2) mailed, return receipt requested, to Contractor's last address on the records of the Company. Any notice given by Contractor to the Company under this Contract shall be sufficient if in writing and either (1) hand delivered to Young, or (2) mailed, return receipt requested, to Young as follows:

R. Blake Young  
Executive Vice President,

Administration and Technology,  
Dynergy Inc.  
1000 Louisiana, Suite 5800  
Houston, TX 77002

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15. **Assignment.** This Contract is assignable by either party only with the express written consent of the other party.

16. **Severability.** Any provisions of this Contract prohibited by or unenforceable under any applicable law of any jurisdiction shall as to such jurisdiction be deemed ineffective and deleted from this Contract without affecting any other provision of this Contract or the effectiveness of such provision in any jurisdiction in which it is not prohibited or unenforceable. It is the desire of the parties hereto that this Contract be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable, the parties hereby agree and consent that such provision shall be reformed to make it a valid and enforceable provision to the maximum extent permitted by applicable law.

17. **Survival of Provisions.** The provisions of Sections 7, and 11 through 19, inclusive, of this Contract shall survive termination of this agreement and shall be enforceable by the Company and the Contractor for a period of two years after such termination, regardless of the circumstances of such termination, except that the provisions of Section 7 shall survive forever and the provisions of Section 9 shall survive according to Section 9's terms.

18. **Choice of Law and Forum.** This Contract shall be construed and governed by the laws of the State of Illinois. Any and all matters of dispute arising out of, or in any way connected with, this Contract or the relationship between Contractor and the Company, except arbitration matters governed by Section 11 above, shall be subject to determination only by the Courts of and for Decatur, Illinois. Contractor and the Company hereby consent and submit to the exclusive jurisdiction of the Courts of and for Decatur, Illinois.

19. **Entire Agreement and Amendment.** This Contract supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the Company's retention of Contractor. This Contract contains the entire agreement of the parties with respect to the subject matter covered hereby and may be amended, waived or terminated only by an instrument in writing executed by both parties hereto.

20. **Binding on Successors and Assigns.** This Contract is binding on the Company and its successors and assigns.

**Contractor**

/s/ Larry F. Altenbaumer  
Larry F. Altenbaumer

January 27, 2004

\* \* \*

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**Illinois Power Company**

/s/ Bruce A. Williamson

January \_\_\_\_, 2004

**By: Bruce A. Williamson**

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EX-10.14 6 exh10-14.htm EXHIBIT 10.14

EXHIBIT 10.14

Andrea A. Lang  
Senior Vice President  
Human Resources

Dynegy Inc.  
1000 Louisiana Street, Suite 5800  
Houston, Texas 77002  
Phone 713.507.6578 • Fax 713.767.8371  
www.dynegy.com

Personal &amp; Confidential

**DYNEGY**

February 26, 2003

Mr. Shawn E. Schukar  
1171 Woodridge Court  
Decatur, IL 62526

Dear Shawn:

On behalf of Illinois Power Company and Dynegy Inc. (herein together, the "Company"), I am pleased to confirm the terms and conditions of your employment at Illinois Power Company in the position of Vice President, Customer and Energy Supply Management, as summarized in this letter. In addition to the terms outlined herein, your employment is governed by the Company's policies and procedures generally applicable to employees of Illinois Power Company.

1. **TITLE.** Your title shall be Vice President, Illinois Power Company. You will report to the President of Illinois Power Company. Your duties will include such lawful duties as may be delegated from time to time by the President of Illinois Power Company. You shall devote your time, energy, and skill to the performance of your duties for the Company and will exercise diligence and reasonable care in the performance of such duties. You will be employed in Decatur, Illinois.
2. **BASE SALARY.** Your annual salary will be \$175,000 payable in accordance with the Company's payroll guidelines. Your salary will be reviewed each year based on corporate policy. There is no guarantee of a salary increase at any time.
3. **INCENTIVE COMPENSATION PLAN.** You will be eligible to participate in the Dynegy Inc. Incentive Compensation Plan (ICP). Under the ICP, Dynegy rewards eligible employees for the value of their contributions to the Company by linking both relative employee performance and market competitiveness to pay. Incentive awards will be paid to eligible employees based on overall company, business unit, and individual performance with emphasis placed on competitive market reward levels and with differentiation made for stronger performers. Your target bonus is 40% of your base salary, dependent upon certain financial and performance objectives, determined in accordance with such program, and by the Board of Directors of Dynegy Inc.; however, there is no guarantee of a bonus payment. Award ranges are subject to change based on market competitive norms and the discretion of the Board. You must be an active employee on payroll on the date the awards are distributed to receive an award. It is mutually understood that termination of employment results in your forfeiture of an individual incentive compensation award.

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4. **LONG TERM INCENTIVE PLAN.** You will also be eligible to participate in Dynegy's Long Term Incentive Program

that provides for stock option awards of Class A Common Stock of the Company. The value of any such award will be in parity with the awards granted to similarly situated employees who also report directly to the President of Illinois Power Company. Such option grants will be made dependent upon a number of factors, including but not limited to the Company and your financial and performance objectives, determined in accordance with the provisions of the annual stock option award program, and by the Board. There is no guarantee of a grant of options at any time. Any options granted to you will have an exercise price equal to the highest closing price reported on the NYSE for Class A Common Stock of the Company on the date of grant in accordance with the requirements and provisions of the Company's currently applicable option grant program. Any options granted during the term of this Agreement are subject to the vesting, forfeiture and other terms and conditions of the option grant program under which they were granted. You recognize that any value of an award of "market" options is a projected value, which is subject to the future performance of the Company stock, and that there is no guarantee that the actual value of such options will achieve that value

5. **SEVERANCE AND RELOCATION.** If, following a change in control of Illinois Power Company (as defined in this paragraph), the Company involuntarily terminates your employment for any reason other than cause, or you voluntarily terminate your employment as the result of a reduction in your base salary or you are required to relocate outside the Decatur, Illinois metropolitan area, you will receive severance pay in an amount equal to the greater of the amount you would be eligible to receive under the Dynegy Inc. Executive Severance Plan in effect on the date of such termination of employment or 1.5 times your base salary and ICP target on the date of such termination of employment. In addition, you will remain eligible for any benefits other than severance pay for you would otherwise have been eligible under the Dynegy Inc. Executive Severance Plan in effect on the date of such termination of employment. For the purposes of this paragraph, a "change in control" of Illinois Power Company shall mean the sale or disposition of all or substantially all of Illinois Power Company stock or assets by Dynegy Inc. to a person or group or entity that is not an affiliate of the Company. However, a "change in control" shall not be deemed to have occurred if the Company sells all or substantially all of the assets of Illinois Power Company but you are offered a "comparable position" with the Company or with an affiliate or subsidiary of the Company.

6. **BENEFIT PLAN PARTICIPATION.** You shall be eligible to participate in Illinois Power Company's benefits programs for officers.

7. **"AT WILL" EMPLOYMENT.** Your employment with the Company "at will." This means that you are free to leave your employment at any time, with or without cause or notice, and that the Company is free to terminate your employment at any time,

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with or without cause or notice. This offer does not constitute a contract of employment with Dynegy Inc. or Illinois Power Company and no one other than the Chief Executive Officer of Dynegy Inc. has the authority to change the at will nature of your employment. Further, any change to your employment status must be made in writing. No implied contract about any term or condition of your employment is, or can be, established by this offer, or any other statement, action, policy or practice.

Sincerely,

/s/ Andrea A. Lang

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Andrea A. Lang  
Senior Vice President, Human Resources  
Dynegy Inc.



Accepted and Agreed to this 6 day of March, 2003.

/s/ Shawn E. Schukar

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Employee Signature

\*Your response is requested by March 14, 2003. If you do not respond by this date, this offer expires.

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
 Washington, D.C. 20549

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**FORM 10-K**

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☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2003

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-15659

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**DYNEGY INC.**

(Exact name of registrant as specified in its charter)

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Illinois  
 (State or other jurisdiction  
 of incorporation or organization)

74-2928353  
 (I.R.S. Employer  
 Identification No.)

1000 Louisiana, Suite 5800  
 Houston, Texas 77002  
 (Address of principal executive offices)  
 (Zip Code)

(713) 507-6400  
 (Registrant's telephone number, including area code)

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**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Name of each exchange on which registered
Class A common stock, no par value	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

Title of each class	Name of each exchange on which registered
None	—

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes

☒ No ☐

The aggregate market value of the voting and non-voting equity held by non-affiliates of the registrant as of June 30, 2003, computed by reference to the closing sale price of the registrant's common stock on the New York Stock Exchange on such date, was \$1,155,609,441, using the definition of beneficial ownership contained in Rule 13d-3 under the Securities Exchange Act of 1934 and excluding shares held by directors and executive officers.

Number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Class A common stock, no par value per share, 279,871,186 shares outstanding as of February 23, 2004; Class B common stock, no par value per share, 96,891,014 shares outstanding as of February 23, 2004.

**DOCUMENTS INCORPORATED BY REFERENCE.** Part III (Items 10, 11, 12, 13 and 14) incorporates by reference portions of the Notice and Proxy Statement for the registrant's 2004 Annual Meeting of Shareholders, which will be filed not later than 120 days after December 31, 2003.

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**DYNEGY INC.**  
**FORM 10-K**  
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Table of ContentsIndex to Financial Statements**PART I****DEFINITIONS**

As used in this Form 10-K, the abbreviations contained herein have the meanings set forth in the glossary beginning on page F-79. Additionally, the terms "Dynergy," "we," "us" and "our" refer to Dynergy Inc. and its subsidiaries, unless the context clearly indicates otherwise.

**Item 1. Business****THE COMPANY**

We are a holding company and conduct substantially all of our business operations through our subsidiaries. Our current business operations are focused primarily in three areas of the energy industry: power generation; natural gas liquids; and regulated energy delivery.

Since the beginning of 2003, we have completed a number of restructuring and refinancing transactions designed to reduce our debt and other obligations, improve our liquidity position and clarify our business strategy. Significant accomplishments during 2003 include the following:

- Sales of non-strategic assets, including our communications business, Hackberry LNG development project and ownership interests in domestic and international power generating projects;
- Renewal of our primary bank credit facility through February 2005;
- Refinancing of approximately \$2.0 billion in near-term debt and extending the related maturities to 2008 and beyond;
- Restructuring the \$1.5 billion Series B Mandatorily Convertible Redeemable Preferred Stock previously held by a subsidiary of ChevronTexaco Corporation, pursuant to which we paid that subsidiary \$225 million in cash and issued to it \$625 million in new securities; and
- Terminating four of eight power tolling arrangements.

We also continued our exit from the customer risk management business. Our efforts are evidenced by a material reduction in the collateral postings associated with this business, where the February 23, 2004 amount of \$172 million is down from \$806 million at year-end 2002. Our remaining customer risk management business, which primarily consists of four power tolling arrangements and related gas transportation agreements, as well as our legacy gas and power trading positions, will continue to impact negatively our cash flows and operating results until the associated obligations have been terminated, restructured or satisfied.

Most recently, we entered into an agreement to sell Illinois Power Company, which currently comprises our regulated energy delivery business, to Ameren Corp. We are targeting closure of the transaction by the end of 2004; however, closing is contingent on the receipt of required regulatory approvals and other conditions. At closing, Ameren will assume all of Illinois Power's third-party debt and preferred stock obligations, which we estimate will be approximately \$1.8 billion. In addition, Ameren will pay us \$400 million in cash, subject to working capital adjustments, and place \$100 million into escrow, subject to full release to us on December 31, 2010 or earlier upon the occurrence of specified events. We intend to use these proceeds to pay transaction fees and expenses and to reduce our outstanding debt, including certain debt owed to ChevronTexaco. In addition to reducing our substantial leverage, the closing also would reinforce our business strategy of focusing on unregulated energy businesses.

Dynergy began operations in 1985 and became incorporated in the State of Illinois in 1999 in anticipation of our February 2000 acquisition of Illinova Corporation. Our principal executive office is located at 1000 Louisiana Street, Suite 5800, Houston, Texas 77002, and our telephone number at that office is (713) 507-6400.

Our SEC filings on Forms 10-K, 10-Q and 8-K (and amendments to such filings) are available free of charge on our website, [www.dynegy.com](http://www.dynegy.com), as soon as reasonably practicable after those reports are filed with or furnished to the SEC. The contents of our website are not intended to be, and should not be considered to be, incorporated by reference into this Form 10-K.

Table of ContentsIndex to Financial Statements**SEGMENT DISCUSSION**

Beginning in 2003, we are reporting the financial results of the following four business segments:

- Power Generation (GEN);
- Natural Gas Liquids (NGL);
- Regulated Energy Delivery (REG); and
- Customer Risk Management (CRM).

Our consolidated financial results also reflect corporate-level expenses such as general and administrative, interest and depreciation and amortization not attributable to our operating segments, as well as our discontinued operations. Set forth below is a discussion of our business segments.

**Power Generation**

**General.** Our power generation segment is engaged in the production and sale of electric power from our owned and leased facilities. We sell power and related products and services, including capacity, into real-time and day-ahead markets, as well as on a forward basis. We seek to optimize our power generating assets and to mitigate our exposure to commodity prices through financial instruments and other transactions, including hedges related to our generation capacity and power purchases related to our supply obligations. Additionally, to mitigate risk related to fuel requirements at our generation facilities, we are also party to long-term coal purchase and transportation agreements and to short-term natural gas and fuel oil agreements.

We sell our power products and services under short- and long-term agreements. Short-term sales usually occur through industry standard contracts. Conversely, long-term sales usually occur under negotiated arrangements. Long-term contractual arrangements that we may enter into include:

- Capacity agreements under which we receive capacity payments from purchasers for regulatory purposes where capacity markets exist based on specific plant characteristics. Under these types of contracts, the purchasers also acquire the option to call on energy from that specific plant or unit as needed based on an index price for power or the product of a fuel price and a heat rate. Some contracts may also include provisions for reimbursement of variable operating and maintenance costs.
- Tolling agreements under which we receive fixed payments in return for the customer's ability to acquire energy from one of our facilities, generally based on an index price for power or the product of a fuel price and a heat rate. Some contracts provide for the counterparty to handle the procurement and transportation of fuel to the facility for the energy that they require. Some contracts may also include provisions for reimbursement of variable operating and maintenance costs.
- Ancillary services agreements under which we sell load regulation, reserves and voltage support to purchasers for fixed prices.

Our customers include ISOs, municipalities, electric cooperatives, integrated utilities, transmission and distribution utilities, industrial customers, power marketers, other power generators and commercial end-users.

Additionally, markets exist for the purchase and sale of emission credits and, from time to time, we either purchase emission credits from third parties in quantities sufficient to operate our plants within the emission guidelines of the various air districts or pay mitigation fees to the applicable air district as required. We may also sell emission credits that we do not need to utilize in the generation of power into the marketplace. Please read "—Regulation—Power Generation Regulation" beginning on page 21 and "—Environmental and Other Matters" beginning on page 24 for further discussion of the environmental and regulatory restrictions applicable to our business.

**U.S. Generation Facilities.** We own or lease electric power generation facilities with an aggregate net generating capacity of 12,713 MWs located in six regions of the United States. The following table describes our current generation facilities by name, region, location, net capacity, fuel and dispatch type.

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**REGIONAL SUMMARY OF OUR U.S. GENERATION FACILITIES<sup>(1)</sup>**  
**(as of December 31, 2003)**

<u>Region/Facility</u>	<u>Location</u>	<u>Total Net Generating Capacity (MWs)</u>	<u>Primary Fuel Type</u>	<u>Dispatch Type</u>
Midwest-MAIN				
Baldwin	Baldwin, IL	1,761	Coal	Baseload
Havana:				
Havana Units 1-5	Havana, IL	238	Oil	Peaking
Havana Unit 6	Havana, IL	445	Coal	Baseload
Hennepin	Hennepin, IL	265	Coal	Baseload
Oglesby	Oglesby, IL	54	Gas	Peaking
Stallings	Stallings, IL	82	Gas	Peaking
Tilton (2)	Tilton, IL	176	Gas	Peaking
Vermilion	Oakwood, IL	191	Coal/Gas/Oil	Baseload/ Peaking
Wood River:				
Wood River Units 1-3	Alton, IL	130	Gas	Peaking
Wood River Units 4-5	Alton, IL	416	Coal	Baseload
Rocky Road (3)	East Dundee, IL	165	Gas	Peaking
Joppa (4)	Joppa, IL	232	Coal/Gas	Baseload/ Peaking
Combined		4,155		
Midwest-ECAR				
Michigan Power (3) (8)	Ludington, MI	62	Gas	Baseload
Riverside (9)	Louisa, KY	495	Gas	Peaking
Rolling Hills	Wilkesville, OH	825	Gas	Peaking
Foothills	Louisa, KY	330	Gas	Peaking
Renaissance (9)	Carson City, MI	660	Gas	Peaking
Bluegrass	Oldham Co., KY	495	Gas	Peaking
Combined		2,867		
Northeast-NPCC				
Roseton (5)	Newburgh, NY	1,210	Gas/Oil	Intermediate
Danskammer:				
Danskammer Units 1-2	Newburgh, NY	128	Gas/Oil	Peaking
Danskammer Units 3-4 (5)	Newburgh, NY	370	Coal/Gas/Oil	Baseload
Combined		1,708		
Southeast-SERC				
Calcasieu	Sulphur, LA	320	Gas	Peaking
Heard County	Heard County, GA	495	Gas	Peaking
Rockingham	Rockingham, NC	825	Gas/Oil	Peaking
Hartwell (3) (8)	Hartwell, GA	150	Gas	Peaking
Commonwealth (3) (8)	Chesapeake, VA	172	Gas	Peaking
Combined		1,962		
West-WECC				
Long Beach (6)	Long Beach, CA	235	Gas	Peaking
Cabrillo I—Encina (6)	Carlsbad, CA	485	Gas	Intermediate
Black Mountain (7) (8)	Las Vegas, NV	43	Gas	Baseload

El Segundo (6)	El Segundo, CA	335	Gas	Intermediate
Cabrillo II (6)	San Diego, CA	101	Gas	Peaking
Combined		<hr/> 1,199		
Texas-ERCOT				
CoGen Lyondell	Houston, TX	610	Gas	Baseload
Oyster Creek (3) (8)	Freeport, TX	212	Gas	Baseload
Combined		<hr/> 822		
TOTAL		<hr/> 12,713		



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- (1) We own 100% of each unit listed except as otherwise indicated.
- (2) DMG subleases the Tilton facility from Illinois Power.
- (3) We own a 50% interest in these facilities.
- (4) We own a 20% interest in this facility. We have agreed to sell this interest to Ameren in connection with the Illinois Power transaction. Please read “—Regulated Energy Delivery—Agreed Sale to Ameren” beginning on page 18 for further discussion
- (5) We lease the Roseton facility and units 3 and 4 of the Danskammer facility pursuant to a leveraged lease arrangement that is further described in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Off-Balance Sheet Arrangements—DNE Leveraged Lease beginning on page 44.
- (6) We own a 50% interest in each of these facilities through West Coast Power, L.L.C., a joint venture with NRG Energy.
- (7) We own a 50% interest in this facility through a joint venture with ChevronTexaco.
- (8) We will seek to sell these assets in 2004 as they are considered non-strategic to this business.
- (9) We lease these facilities.

**Midwest region—Mid-America Interconnected Network Reliability Council (MAIN).** At December 31, 2003, we owned or leased interests in 10 generating facilities with an aggregate net generating capacity of 4,155 MWs located within MAIN. The generating capacity of our MAIN facilities represents approximately 6% of the generating capacity within the MAIN region. The MAIN market includes all of Illinois and portions of Missouri, Wisconsin, Iowa, Minnesota and Michigan.

Approximately 50% of the power generated by our MAIN facilities is sold pursuant to a power purchase agreement between DMG and Illinois Power. This agreement, which is served through Illinois Power’s former generation facilities now owned or leased by DMG, provides Illinois Power with approximately 70% of its capacity requirements through December 2004. The contract provides for fixed capacity payments based on the capacity reserved, as well as variable energy payments for each MWh of energy delivered under the contract based on DMG’s cost of generation. Under the agreement, DMG bears ultimate responsibility for serving Illinois Power’s load as the provider of last resort; it also supplies all ancillary services required by Illinois Power. This power purchase agreement provided a substantial portion of the operating income from our power generation business in 2003.

In connection with our agreement to sell Illinois Power to Ameren, which we are targeting for closing by the end of 2004, we also agreed, conditioned on closing of the sale, to sell 2,800 MWs of capacity and up to 11.5 million MWh of energy to Illinois Power at fixed prices for two years beginning in January 2005. We also agreed to sell 300 MWs of capacity in 2005 and 150 MWs of capacity in 2006 to Illinois Power at a fixed price with an option to purchase energy at market-based prices. Under this arrangement, we would no longer be the provider of last resort to Illinois Power. If the Illinois Power sale closes before year-end, the parties would continue under the current agreement through its December 31, 2004 expiration. If we are unable to complete the sale of Illinois Power, any new agreement with Illinois Power may not be executed at the same rates as our existing agreement. Please read “—Regulated Energy Delivery—Agreed Sale to Ameren” beginning on page 18 and Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—2004 Outlook—REG Outlook beginning on page 65 for further discussion.

Approximately 5% of our capacity, incremental to the capacity committed under the Illinois Power power purchase agreement, is sold under capacity contracts, including 165 MWs related to our interest in Rocky Road through 2009. The remainder of the capacity and energy is sold primarily into wholesale markets in MAIN, the neighboring East Central Reliability Area, or ECAR, and the Pennsylvania-New Jersey-Maryland market, or PJM.

The MAIN region currently has excess generation capacity as a result of recent development projects. This overcapacity is evidenced by the NERC’s estimated 2003 reserve margin of 25%, which is in excess of the MAIN region’s target minimum reserve margin of 15-17%. This overcapacity has depressed energy and capacity prices in this region and likely will continue to do so absent peak demand growth and/or plant retirements. Based on current expectations of future demand growth and retirements, we believe that reserve margins are likely to return to target levels within the next 4-6 years.